



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## ECONOMIC SECURITY AND RESILIENCE REVIEW JANUARY 2024

*Author*

V.S. Seshadri

Volume II, Issue 1



Delhi Policy Group

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[www.delhipolicygroup.org](http://www.delhipolicygroup.org)



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### ABOUT US

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

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*The views expressed in this publication are those of the author and should not be attributed to the Delhi Policy Group as an Institution.*

### Cover Image:

Prime Minister Narendra Modi welcomes the President of UAE, Sheikh Mohamed bin Zayed Al Nahyan at Vibrant Gujarat Global Summit 2024 in Gandhinagar, Gujarat on January 10, 2024.

(Source: [Prime Minister's Office/Official Website](#))

PM Narendra Modi and President of France Emmanuel Macron visit Jantar Mantar in Jaipur, Rajasthan on January 25, 2024.

(Source: [PMO/Official X Account](#))

Dr. S. Jaishankar, Minister of External Affairs of India, called on the President of Iran H.E. Dr. Seyyed Ebrahim Raisi, during his visit to Iran on January 15, 2024. (Source: [Dr. S. Jaishankar/Official X Account](#))

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# Economic Security and Resilience Review

by

V. S. Seshadri

## Introduction

This month's ESRR highlights the continuing challenge faced by international shipping due to attacks by Yemen-based Houthi rebels on ships passing through the Red Sea route. This is forcing many vessels from Asia headed to Europe and beyond to take the much longer route around the Cape of Good Hope, which is causing delays and raising costs. External Affairs Minister Dr. S. Jaishankar, who visited Tehran on January 15, reportedly took up this issue with his Iranian counterpart Amir-Abdollahian and the Iranian leadership, apart from other bilateral issues.

This issue also covers two important bilateral incoming visits that could have a bearing on enhancing India's economic security. The visit by French President Macron, who was also the Chief Guest for India's Republic Day, resulted not only in decisions to further enhance defence cooperation, but also for establishing a final assembly line in India by Airbus Industrie to make its civilian range of H-125 helicopters in partnership with the TATA Group. Further, notwithstanding the prevailing strife in the Middle East, the two sides took forward discussions on establishing the India-Middle East-Europe Economic Corridor, with France also appointing a Special Envoy for the purpose.

The visit by the UAE President Sheikh Mohamad bin Zayed Al Nahyan, who was the Chief Guest for the Vibrant Gujarat Global Summit, also witnessed the signing of a number of MOUs. In particular, the MOU signed between the Government of Gujarat and the DP World of the UAE, along with the existing investments of the latter in the port sector in Gujarat, could significantly boost the maritime capacity of the state.

The visit by USTR Katherine Tai and the holding of the fourteenth Trade Policy Forum meeting resulted in a review and roadmap for moving forward on a number of bilateral trade issues. India also appears to have satisfactorily explained the working of the import monitoring systems on laptops, computers etc., on which the US side had shown some concern.

Two other India-related developments in the report are India's acquisition of five lithium sites in Argentina for exploration, and the announcement by the Minister for Railways, Communications and Electronics Ashwini Vaishnaw, that India's first domestically manufactured semiconductor chip produced by US company Micron may be available by end 2024.

This report also covers two trade restrictive measures imposed by China during the month which appear to be of a retaliatory nature against the EU and the US. One is the initiation of anti-dumping investigations launched against EU exporters of brandy to China. Second is sanctions China has imposed against five US defence manufacturing companies.

Finally, this report focuses on Europe moving forward with implementing its Economic Security Strategy, on which certain proposals have now been advanced by the EU Commission. This is even as there are differences within the EU on how to approach this issue, as was brought out during the conference on European Competitiveness and Economic Security held in Brussels on January 10, 2024.

## **Red Sea shipping difficulties persist and pose trade delays**

India's Commerce and Industry minister, Piyush Goyal, conveyed in an interview<sup>1</sup> that the Red Sea shipping crisis was worrying, with freight movement getting delayed and becoming more expensive. The export trend for India was good during the November-December 2023 period, he said, but the problems due to attacks by Houthi rebels have created a bit of dampener for exports.

As per another report<sup>2</sup>, in the seven days to January 28, trade volumes in the Bab el Mandeb strait, which vessels pass through to get to the Suez Canal from the Indian Ocean, were down 65% compared with the end of October 2023.

During the month of January, Indian Navy ship INS Vishakapatnam rescued at least two ships, MV Genco Picardy and Martin Luanda, which were hit by ballistic missiles or drone attacks launched by Houthi rebels in the Gulf of Aden area. Several of the crew in these international shipping vessels were Indian nationals.

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<sup>1</sup> [https://www.business-standard.com/budget/news/we-are-worried-about-the-ongoing-red-sea-crisis-says-piyush-goyal-124020101785\\_1.html](https://www.business-standard.com/budget/news/we-are-worried-about-the-ongoing-red-sea-crisis-says-piyush-goyal-124020101785_1.html)

<sup>2</sup> <https://www.ft.com/content/6c114551-9689-4a3c-b1cc-71790853c636>

## EAM Jaishankar visits Iran

Amidst the ongoing crisis in relation to Red Sea shipping, India's External Affairs Minister Dr. S. Jaishankar paid a visit to Tehran on January 15, 2024 where he held discussions with Iran Foreign Minister Dr. Amir-Abdollahian, and also called on the Iranian President Ebrahim Raisi. In his joint Press conference<sup>3</sup> alongside the Iranian FM, Jaishankar inter alia stated that his discussions included regional connectivity issues and the prospects of energising the International North South Transport Corridor. On the Chabahar port, he emphasised India's commitment to the project, and discussed how a firm, sustainable and long-term roadmap for India's continued involvement over the coming years can be established. Further, given the importance of this project for both countries, he emphasised the need to monitor its progress under the direct supervision of the political leadership.

EAM Jaishankar also referred in his statement to the great concern to the international community of the perceptible increase in threats to the safety of maritime commercial traffic in a part of the Indian Ocean, including in the vicinity of India, and said that the fraught situation was not to the benefit of any party and this must be clearly recognised. (A Tehran Times news item<sup>4</sup> quoting reports also noted that EAM had delivered a message from the US to Iran, urging Tehran to use its influence to help in halting Yemeni attacks on Israeli vessels).

In this press interaction, FM Abdollahian on his part stated that high ranking officials from Sanaa had assured Iran that they would not disturb maritime security, while also noting that as long as the war and genocide in Gaza continued, they will act to block the passage of Israeli ships, as well as ships headed to Israeli ports.

## President Macron's visit to India

During President Emmanuel Macron's state visit to India from January 25-26, 2024, as the chief guest for the 75th Republic Day of India, the discussions held and decisions taken spanned a variety of issues, including deepening defense collaboration, enhancing science and technology cooperation, and exploring specific projects on connectivity. Two aspects were noteworthy from an

<sup>3</sup> <https://www.mea.gov.in/Speeches-Statements.htm?dtl/37513/Joint+Press+Statement+by+EAM+Dr+S+Jaishankar+with+Minister+of+Foreign+Affairs+of+Iran>

<sup>4</sup> <https://www.tehrantimes.com/news/493776/Raisi-to-Indian-FM-Stopping-attacks-on-Gaza-only-way-to-restore>

economic security perspective<sup>5</sup>. One was the common viewpoint voiced by both President Macron and PM Modi in their Joint Statement that the India-Middle East-Europe economic corridor would be of great strategic importance and would significantly enhance the potential and resilience of the flow of commerce and energy between India, the Middle East and Europe. PM Modi also welcomed the appointment of President Macron's Special Envoy for the project. If there was any thinking that the ongoing turmoil in the region resulting from the conflict in Gaza may see receding interest in the project, this is clearly not the case. (Interestingly, the EU Commission President, Ursula von der Layen, in her speech at the Davos World Economic Forum meeting on January 16, 2024 had stated that over-reliance on one business, one country, one trade route, comes with risks.)

The second was the agreement signed between TATA Advanced Systems Limited (TASL) and Airbus Industrie to set up a final assembly line (FAL) for the manufacture in India of H-125 civilian helicopters, making it the first private sector venture to make helicopters in India. As per information from Airbus, this is its best selling civilian range helicopter, and the FAL could also see its exports to some of India's neighbouring countries. The assembly would undertake the integration of major component assemblies, avionics and mission systems, installation of electrical harnesses, hydraulic circuits, flight controls, dynamic components, fuel system and the engine. The FAL will take 24 months to set up, and deliveries can be expected to commence in 2026. The two companies are to decide soon on the FAL's location.

## President of UAE's visit to India

President of UAE Sheikh Mohammed bin Zayed Al Nahyan visited India as chief guest at the Vibrant Gujarat Global Summit held in Gandhinagar on January 10, 2024. The visit also saw the signing of MOUs on food cooperation and investment cooperation. Of particular relevance to economic security was the MOU signed between the Gujarat government and DP World for port related infrastructure development. As per DP World<sup>6</sup>, the MOU will include developing:

- Multipurpose deep draft ports in South Gujarat and around the Western coast of Gujarat towards Kutch;

<sup>5</sup> [https://www.mea.gov.in/bilateral-documents.htm?dtl/37534/India\\_\\_France\\_Joint\\_Statement\\_on\\_the\\_State\\_Visit\\_of\\_HE\\_Mr\\_Emanuel\\_Macron\\_President\\_of\\_French\\_Republic\\_to\\_India\\_25\\_\\_26\\_January\\_2024](https://www.mea.gov.in/bilateral-documents.htm?dtl/37534/India__France_Joint_Statement_on_the_State_Visit_of_HE_Mr_Emanuel_Macron_President_of_French_Republic_to_India_25__26_January_2024)

<sup>6</sup> <https://www.dpworld.com/news/releases/gujarat-and-dp-world-sign-agreements-to-strengthen-logistics-in-the-indian-state/>

- SEZs in Jamnagar and Kutch; and
- Gati Shakti cargo terminals (GCT) and private freight stations at Dahej, Vadodara, Rajkot, Bedi and Morbi.

## USTR Katherine Tai's visit and India-US Trade Policy Forum meeting

The fourteenth India-US Trade Policy Forum meeting was held in New Delhi on January 12, 2024, co-chaired by Piyush Goyal, India's Minister for Commerce and Industry, and Katherine Tai, US Trade Representative. The highlights from the joint statement issued<sup>7</sup> following their talks were:

- The two sides are to develop an ambitious and forward looking roadmap for cooperation in certain identified areas - critical minerals, customs and trade facilitation, supply chains, and trade in high technology products - with a view to establishing the foundation to launch future projects;
- The two sides are to establish a pathway in which each side will mutually recognise results from accredited conformity assessment bodies utilising International Laboratory Accreditation Cooperation (ILAC) and International Accreditation Forum (IAC) MRAs, whenever possible;
- On India's new import requirement for computers, tablets and servers, USTR Tai expressed willingness to collaborate with India on the shared objective of supply chain resilience in this sector. She further welcomed the fact that India has implemented the "import management system for specified IT Hardware" in a facilitative manner, that has thus far minimised the impact on trade. She urged India to ensure that the end-to-end online system currently in operation and related policies do not restrict trade going forward;
- India reiterated its interest in the restoration of its beneficiary status under the US GSP programme, while USTR Tai noted that this could be considered, as warranted, in relation to the eligibility criteria determined by the US Congress;
- The US side acknowledged receipt of further information from India in ongoing discussions on a bilateral social security Totalisation Agreement, on which the two sides encouraged further engagement in order to establish a stronger basis for a future agreement; and
- Minister Goyal conveyed India's interest in being recognised as a Trade Agreements Act (TAA) designated country by the US (TAA restricts US federal procurement of goods and services to products that are manufactured and substantially transformed in the US or a TAA designated country). In this

<sup>7</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1995716>



regard, the two sides recalled discussions in 2023 of issues related to bilateral government procurement, such as on transparency and procedural fairness, and welcomed plans for further engagement at the official level.

## Fourteenth Round of India-UK FTA negotiations

The 14th round of India-UK FTA negotiations, which is also expected to be the final round, commenced on January 10, 2024, but it was not clear how far the discussions progressed. Reports indicate that outstanding issues continue to be tariffs on whiskey, automobiles including electric vehicles, and farm products. Other sticky issues on the non-tariff side included business mobility, access for certain professional services, a bilateral social security agreement, recognition of the Indian system of carbon credits under the UK's proposed CBAM, and rules of origin.

## India acquires five lithium sites in Argentina

Khanij Bidesh India Limited (KABIL), a government owned company, signed a lithium exploration agreement<sup>8</sup> with the state owned enterprise of the Catamarca province of Argentina (CAMYEN) on January 15, 2024. This US\$ 24 m deal covers exploration and development of five lithium brine blocks covering an area of about 15,703 hectares. With this agreement, KABIL has obtained exploration and exclusivity rights to evaluate, prospect and explore and subsequent to existence/discovery of lithium, mineral exploitation rights for commercial production. Argentina is known to have the third largest lithium reserves in the world. Speaking online on the occasion, India's Minister for Mines and Coal, Pralhad Joshi, pointed to the crucial role that the agreement can play in driving the energy transition to a sustainable future, and also ensure a resilient and diversified supply chain for critical and strategic minerals essential for various industries in India.

## India's first locally manufactured semiconductor chip by end 2024

The Union Minister for Railways and Communications and Electronics, Ashwini Vaishnav, announced<sup>9</sup> at the Vibrant Gujarat Global Summit on January 10, 2024, that the Micron company's semiconductor plant in Sanand will deliver India's first domestically produced chip by the end of 2024. He also said that one of the largest substrate manufacturing companies in the world, Simmtech, has signed an MOU with the Government of Gujarat under which

<sup>8</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1996380>

<sup>9</sup> <https://www.financialexpress.com/business/industry-first-made-in-india-semicon-chip-by-the-end-of-2024-claims-ashwini-vaishnav-3362282/>

the Japanese company will be investing Rs. 1250 crores (\$152 m approx.) for setting up its manufacturing facility in Sanand. Substrate is the supporting material upon which or within which the elements of a semiconductor device are fabricated.

## China initiates anti-dumping investigations against EU brandy

China launched an anti-dumping investigation on January 5, 2024, into brandy imported from the European Union. This was widely seen as a retaliatory move against the European Union's anti-subsidy probe initiated last year against import of electric vehicles from China. Analysts have opined that the target here was French Cognac and other brandy items, since France was seen as the main country behind the EV subsidy probe with a view to protect Renault and other French car makers.

## China sanctions five US Defence related companies

China sanctioned five US defence related companies on January 7, 2024, which will prohibit organisations and individuals in China from doing business with them, or freeze any properties that these companies may have in China. The five sanctioned US companies are BAE Systems Land and Armaments, Alliant Techsystems Operations, AeroVironment, ViaSat and Data Link Solutions. This measure is seen as China's response to the U.S. government's approval of a US \$300 million military package for Taiwan in the month of December. The deal included equipment and training, including equipment to repair and maintain Taiwan's command, control and military communications capabilities. The Chinese foreign ministry spokesperson stated<sup>10</sup> that U.S. arms sales to China's Taiwan region is in blatant violation of the one-China principle and the stipulations of the three China-U.S. joint communiques, particularly the August 17 joint communique of 1982, and the illegal unilateral sanctions the United States has imposed on Chinese companies and individuals under various false pretexts seriously harm China's sovereignty and security interests.

That said, the sanctions were largely symbolic, since American defence contracting companies do not sell to China.

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<sup>10</sup> <https://english.news.cn/20240107/0737bf8e5ef74c52a8e72aa38eeebb2c/c.html>

## An European Policy Centre discussion reveals differing viewpoints on Economic Security

The EU Commissioner for Internal Market, Thierry Breton, in his keynote speech<sup>11</sup> at a conference on 'European competitiveness and economic security' at the European Policy Centre on January 10, 2024, said that the succession of crises globally had shown that no major problem can be handled by an EU member state on its own - including European competitiveness and security. He then outlined three areas in which Europe has developed resilience and competitiveness:

- New tools for investments in the markets and technologies of the future, including critical raw materials;
- Securing EU's supply chains and security: 'Derisking our economy is a precondition to any competitiveness agenda', 'Economic security is the antonym of naivety'; and
- Modernising the single market.

Breton then went on to suggest what he termed as European solutions:

- Improve the single market in key areas of competitiveness;
- Continue to promote Europe as a third bloc, a balancing force between the US and China; and
- Be serious about Europe's unity and financial firepower.

Not entirely agreeing with the aforesaid perspective, particularly about Europe being a third balancing bloc, a senior representative of the leading Dutch chipmaking company ASML, Wouter Baljon, said at the same conference<sup>12</sup> that Europe was not in the champions league of economic security and statecraft, particularly in relation to high technology, but rather in Tier 2 of economies like South Korea or Taiwan. (It may be recalled that ASML had been forced to stop selling some advanced precision lithography machines to Chinese buyers at the behest of the Biden Administration last year). Baljon further stated that American policy was all about curtailing the ability of China to make industrial progress, and not about dual-use goods or military-civil fusion. He added 'We (EU) are not an incumbent, unfortunately. As the EU-27, we are a challenger and we need the instruments and approaches to reflect this'.

<sup>11</sup> [https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_24\\_124](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_24_124)

<sup>12</sup> <https://www.scmp.com/news/china/article/3248135/european-union-not-champions-league-economic-security-senior-asml-official-says>

## EU Commission proposes new initiatives to strengthen economic security

The EU Commission adopted on January 24, 2024 five initiatives<sup>13</sup> intended to enhance the EU's economic security, as a follow up to the Economic Security Strategy proposed in June 2023. These are mostly on subjects on which the mandate to act vests mainly with the EU member states, and not the EU Commission. However, the attempt is to see if a uniform line of action can be evolved that follows a three pillar approach to economic security by a) promoting the EU's competitiveness; b) protection against risks; and c) partnering with the broadest range of countries to advance shared economic security interests.

By their nature, the EU Commission's initiatives remain proposals or draft regulations until their finalisation and acceptance by the EU Council. The five initiatives adopted were the following:

### 1. A legislative proposal to strengthen foreign investment screening

After reviewing 1200 foreign investment proposals by EU member states over the past three years, the new proposal is aimed at addressing existing shortcomings and improving the efficiency of the system by:

- Ensuring all member states have a screening mechanism in place with better harmonised national rules;
- Identifying a minimum sectoral scope where all member states must screen foreign investments; and
- Extending EU screening to investments by EU investors that are ultimately controlled by individuals or businesses from a non-EU country.

### 2. Monitoring and assessment of outbound investment risks

A white paper has been prepared on this subject by the EU Commission, which proposes a step-by-step analysis of outbound investments to understand potential risks to them. Based on further consultations and monitoring, the Commission will determine, along with member states, if and when a policy is warranted.

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<sup>13</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_24\\_363](https://ec.europa.eu/commission/presscorner/detail/en/IP_24_363)

### **3. More effective EU control of dual use goods exports**

A white paper prepared by the EU Commission on this subject intends to avoid a patchwork of national approaches by member states, and proposes introduction of uniform EU controls on those items that were not adopted by the multilateral export control regimes due to blocks by certain members;

### **4. Options to support R&D in technologies with dual-use potential**

The Commission's white paper on the subject reviews current EU funding programmes and assesses whether this support is adequate for technologies with dual-use potential. It then proposes options for further consultations aimed at assessing whether a dedicated instrument with a specific focus on R&D with dual-use potential is required, or there could be other options.

### **5. Enhancing research security across the EU**

On this aspect, the EU Commission presented a proposal for a Council recommendation to provide more clarity, guidance and support to member states, and the research and innovation sector at large, based on the principle 'as open as possible, as closed as necessary' with regard to international research cooperation.

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